

FISCAL IMPACT STATEMENT ON BILL NO. **H4449**

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TO: The Honorable Daniel T. "Dan" Cooper, Chairperson, House Ways and Means Committee
FROM: Office of State Budget, Budget and Control Board
ANALYSTS: Allan Kincaid, Beth Campbell, Tricia Tangney and Harry Bell
DATE: February 7, 2006 SBD: 2006072

AUTHOR: Representative Cotty PRIMARY CODE CITE: 12-36-1110
SUBJECT: Property Tax Reform Bill

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
A Cost to the General Fund (See Below)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
A Cost of Federal and/or Other Funds (See Below)

BILL SUMMARY:

House Bill 4449, with Committee Amendment, would impose an additional two cents sales tax beginning the first day of June of the year in which the accompanying constitutional amendment is ratified. The Bill provides for the additional funds to be dedicated for repayment to local government and school districts the taxes exempted on owner occupied residential properties other than those for repayment of general obligation debt.

EXPLANATION OF IMPACT:

Statewide – State Agencies

A review of this Bill by the State Budget and Control Board, Office of State Budget indicates there will be an additional total cost to state agencies of approximately \$24.2 million if the sales tax is raised by two cents. Of this amount, approximately \$2.4 million represents costs to the General Fund of the State with the remaining \$21.8 million representing cost to Federal and/or other funds.

Department of Revenue

The Department estimates a minimal cost for providing training to the county assessors. This cost can be absorbed by the agency. The training would consist of nine hours of teleconferences that would be conducted annually with a total cost of \$10,000.

Comptroller General's Office

The Office reports this Bill will have no impact on the General Fund of the State or on Federal and/or Other Funds.

Department of Education – School Districts

An analysis of school district indicates that a two cent sales tax increase would increase expenditures by an additional \$12 million annually basis from all sources of funds. Forty-seven percent of local school district revenue comes from the state (including EIA funds), while 43% comes from the local school districts, and 10% comes from the federal government. Therefore, there would be an additional cost to the General Fund and EIA of approximately \$5.7 million, and \$6.2 million in Federal and other funds.

LOCAL GOVERNMENT IMPACT:

A survey by the Association of Counties indicates a sales tax increase of 2 cents would have an impact of approximately \$250,000 per county on average annually. The impact of a sales tax increase of 2 cents on the state's municipalities is estimated at \$6.3 million statewide. Several counties indicated Part III, Section 2.A of the Bill dealing with listing of new structures for tax purposes may require additional staff. Other aspects of the Bill are anticipated to have minimal impact.

SPECIAL NOTES:

The Board of Economic Advisors is the appropriate entity to address any revenue impact associated with this or any other Bill.

Approved by:



Don Addy
Assistant Director, Office of State Budget